

APPROVED 9-13-17

MINUTES  
 City of Tacoma  
 Public Utility Board Study Session  
 August 23, 2017  
 3:00 p.m.

Chair Trudnowski called the Public Utility Board study session to order at 3:00 p.m. at the Public Utilities Administration Building.

Present: Karen Larkin; Monique Trudnowski; Woodrow E. Jones, Bryan Flint  
 Excused: Mark Patterson

**Quarterly Financial Outlook**

**Tacoma Water:** Heather Pennington, Deputy Water Superintendent, detailed the forecast assumptions, summary of outlook, water retail sales and revenues, and revenue and expense summary for the second quarter of 2017. Water sales are projected to be \$1.6M higher than budget for the biennium. Total expenditures are projected to be \$1.6M under budget for the biennium. Net total revenues less expenditures are expected to be approximately \$3.5M over budget. The current fund cash balance is expected to decrease \$6.3M over the biennium. Graphical representations of billed revenue and billed demands were shared. Ms. Pennington concluded by summarizing the estimated current fund cash projection.

**Tacoma Power:** Bill Berry, Rates, Planning, and Analysis Manager, detailed the assumptions, electric retail revenues, wholesale revenues, revenue and expense details, and projected liquidity balance for the second quarter of 2017. Graphical representations of electric retail and wholesale revenues were shared. Currently, retail revenues are over budget due to cooler than anticipated weather increasing heating loads and wholesale revenue are over budget due to higher precipitation in the first quarter. A quarter-to-quarter comparison was shared and Mr. Berry concluded by summarizing the projected liquidity balance.

**Tacoma Rail:** Dale King, Rail Superintendent, detailed the summary of assumptions and financial situation, including traffic analysis for both intermodal and commercial traffic. Graphical representations of intermodal and commercial volumes were shared. There is a decrease in railcar volumes and there is no incentive allowance accruing due to lack of intermodal volumes. A quarter-to-quarter comparison was shared and Mr. King concluded by summarizing the estimated current fund cash projection.

**Performance Metrics Update:** Jim Sant, Deputy Director for Administration, provided a summary of TPU's performance metrics for the second quarter of 2017 for each of the operational divisions. The main metrics for each division are financial performance, operational

excellence, and commitment to customers and employees. Customer and employee satisfaction updates are forthcoming. Call center metrics are upgraded from the last quarter. Work on the employee safety is still very active and will be updated in the next report.

### **Tacoma Power: Low-Income Solar**

Clay Norris, Power Manager, began by reviewing Council resolution 39699 on the topic of residential solar for ratepayers of all income levels. As background, solar power is not an ideal resource fit as Tacoma Power has identified conservation as the best power resource to acquire and Tacoma's retail use is higher in the winter. Solar power is more expensive than the current portfolio of renewable hydro resources. Solar generation costs and solar incentives were then detailed. The federal tax credit for solar power drops by 30 percent in 2019 and to 10 percent in 2022. The Washington state production incentive was reauthorized in 2017 at lower levels and capped at 1.5 percent (vs. 0.5 percent) of 2014 utility revenues.

Part one of plan development involves increasing overall residential solar. A graphical representation illustrating how residential rooftop solar counts are anticipated to continue to grow was detailed. Expanding marketing, customer outreach, and education; Identifying strategic partners and funding opportunities; and adapting SAP to process solar credit billing are also plan elements.

Part two of plan development involves residential solar equity. Mr. Norris detailed the following options: Identify strategic partners and funding; Create marketing strategy; Investigate low-income zero-interest loan feasibility; Waiver interconnection and inspection fees; Provide incentive based on renewal energy credit value; Provide incentive based on energy value; Advocate for state legislation for low-income incentives and assistance; Revamp Evergreen Options; Analyze new community solar; and Pursue multi-family pilot.

This item will be brought before the Council at the joint Council/Board study session on September 12, 2017.

### **Tacoma Power/Click!: Data Center Interconnection and Fiber to the Home**

Tenzin Gyaltsen, Click! General Manager, began by describing interconnection as a point-to-point connection between a network and other equipment or another facility. In this case, it specifically refers to linking the Click! network to internet exchanges and data centers that are located outside its footprint. An interconnection can fully leverage capabilities of the Click! network; creates a regional presence; provides access to larger telecommunications carriers and cloud services; provides opportunities to further interconnect to exchanges and centers in Portland and Seattle; and enhances commercial product and value to business customers. Interconnection to Centeris in Puyallup is the staff recommendation. The overall project cost is just over \$200,000 with an anticipated completion date of September 30, 2017.

Mr. Gyaltsen then described fiber-to-the-home (FTTH) as infrastructure that takes fiber deeper into the network, up to the side of the customer premise; it uses different network components. Mr. Gyaltsen then shared graphical illustrations of the network architecture. The benefits of FTTH were then outlined. FTTH leverages existing fiber capacity and extends the useful life of the network and it enables delivery of gigabit internet. There are fewer points of failure due to fewer network components and the optical signal is not susceptible to radio frequency interference. Click! is currently piloting a solution designed by Calix that is set up for

symmetrical one gigabit internet service. It delivers existing cable TV services and voice can be overlaid. Pat Bacon, Assistant Click! General Manager, and Greg Rudi, Telecom Broadband Services Manager, then conducted a product demonstration and a speed test. The estimated budget for FTTH is \$915 for the biennium and will cover approximately 1,500 new units. The timeline will be determined once the Procurement Department determines if an RFP is required, which could add 90 days to the implementation timeline.

### Miscellaneous

The Board followed up on the discussion from the last study session on August 9 to finalize the RFQ letter for potential recruiters for Director of Utilities position. The discussion is summarized as follows:

Chair Trudnowski: Shared that Board Member Patterson approved the RFQ letter and that he would like to add information about the budget and revenue of TPU. Mr. Patterson also wanted the RFQ sent to Carl Mycoff and Shay Harding and suggests that APPA be contacted for recommendations.

Chair Trudnowski would like to take the input from this study session discussion and incorporate them into the letter, return it to Board Members for final review, and then send it early the following week. In speaking with the City Manager and Human Resources Director there was discussion about having directives to HR come from the Chair or Director. HR would could handle some administrative tasks such as advertising and once the recruiter is in place, work in tandem with them while respecting that this is a Board-driven process.

There was agreement about adding a question about how the recruiter would see HR's role in the process and seeking recommended recruiters from APPA.

Board Member Flint: Mr. Flint made positive remarks about the open-ended questions in the RFQ and added that he would like to see language added that the Board is appointed by the Council and Tacoma is a charter city. Issue with "CEO" appearing after "Director of Utilities" was voiced. Mr. Flint made comments in support of the recruiter collecting stakeholder information and recruiting candidates and HR providing administrative support. In response to an inquiry from Mr. Flint to the Director on role clarity, Director Gaines' summarized answer as HR should help vet the list of recruiters for the RFQ with the goal of having at least four to five names and that HR should work in tandem with the recruiter.

Board Member Jones: Mr. Jones disagrees that "CEO" should be taken out as a descriptor. HR will always play a role in recruitment, however the Director reports to the Board and the Board owns the process and the Board Clerk can also support the Board in this effort. How we have a successful recruitment is a combination of Board communication and communication with the individuals who have a vested interest in the outcomes of the Board. Assessing candidates is the real work and that hasn't even started yet. HR's role is neutral and administrative.

Board Member Larkin: Ms. Larkin made comments in agreement with Mr. Flint regarding omitting the "CEO" out of the Director's title and expressed desire to have feedback from HR on the recruiters. Agrees that HR should have at least four to five recruiters and mentioned MRI

Network, Preng and Associates, and Karras Consulting as possible vendors. Ms. Larkin favors having HR staff the Board through this recruitment process.

City Attorney Fosbre: Mr. Fosbre offered clarification that the city charter says the Board can only ask staff points of inquiry, but the Board is not supposed to direct work. That it is supposed to be done through the Director of Utilities. There is a section of the charter that addresses HR functions; however, be mindful that HR analyst negotiations are active and we want to avoid an unfair labor practice. Mr. Fosbre closed by advising against Board Members sending comments to each other, but to maintain one-way communication to the Chair.


**Executive Session**

Mr. Jones made a motion at 5:42 p.m. to convene an executive session for 15 minutes to discuss pending litigation per RCW 42.30.110(1)(i); seconded by Mr. Flint. Voice vote was taken and carried. The executive session was adjourned at 5:57 p.m.

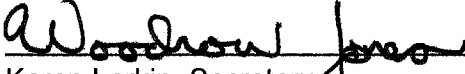
**Adjournment**

The study session was adjourned at 5:57 p.m. until the next regularly scheduled study session on Wednesday, September 13, 2017 at 3:00 p.m.

Approved:

  
Monique Trudnowski, Chair

Approved:

  
Karen Larkin, Secretary